



STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS
California's Investment and Financing Authority
NEWS RELEASE

05-05

Arnold Schwarzenegger, Governor

Wayne Strumpfer, Acting Commissioner

FOR IMMEDIATE RELEASE

Contact: Susie Wong
(916) 324-9011

**CALIFORNIA DEPARTMENT OF CORPORATIONS TAKES ENFORCEMENT
ACTION AGAINST TWO FRANCHISE BUSINESSES OPERATING IN
CALIFORNIA**

*The department's action sends message to prospective franchisees on danger of
purchasing franchises not approved by state*

Sacramento, April 25, 2005 – Enforcement actions taken by the California Department of Corporations (Corporations) revoked the franchise registration of two franchise businesses operating in California. Slender Lady, Inc. and Q-Taste International, Inc. were also ordered to stop the offer and sale of unregistered franchises in the state.

“Our department took this action to protect purchasers of franchises from fraudulent sales practices,” said Acting Commissioner Wayne Strumpfer. “These franchises were not authorized and puts the purchasers involved at risk. Our department will continue to aggressively take action against franchising businesses who fail to follow our state laws.”

The nationally franchised Slender Lady is a nutrition, weight management and fitness center operating in 48 locations throughout the state, according to the company's Web site at www.slenderlady.com. The order named CEO and founder of Slender Lady, Bruce Sharpe.

Slender Lady became a California registered franchise in 1997.

In March 2004, Slender Lady submitted an incomplete application for registration renewal. The franchisor's registration expired in April 2004. Slender Lady sold four franchises in north Salinas, Pacific Grove, El Dorado, and Wilton to California residents, who were not informed that they were purchasing unregistered franchises.

Corporations charged Slender Lady with making misrepresentations and omissions as to the level of training, assistance in marketing and advertising, Web site, and a commercial ad.

-more-

Based on the violations of California law, Corporations revoked the franchise registration of Slender Lady, issued a Desist and Refrain Order to CEO and founder Bruce Sharpe and his company to stop the offer and sales of unregistered franchises, and denied its application for renewal of franchise registration dated April 12, 2005.

In the other action, Q-Taste International, Inc. of San Jose, and its affiliate, sold six unregistered restaurant franchises to members of the Chinese community. Q-Taste International is engaged in the franchising of Q-Taste and Q-Cup restaurants, which offer tea-based drinks and a variety of foods. Q-Taste President Lishen Yen, aka Li-Shen Yen, also serves as president of Y's Alliance, Inc., which has sold unregistered Q-Cup franchises.

Q-Taste International filed its initial franchise registration application with Corporations in July 2003. The application named four unregistered franchises that were sold. In December 2004, Corporations became aware of two additional franchises sold and never disclosed. Franchises sold by Q-Taste are located in Palo Alto and Berkeley, while the franchises sold by Y's Alliance are located in San Jose, Fremont, Milpitas, and San Mateo, though the San Jose and Fremont restaurants may be closed. Corporations alleges that misrepresentations and omissions were made as to the level of training and assistance in marketing and advertising. Q-Taste International and Y's Alliance failed to provide the franchisees with the offering circular as required by state law. The offering circular gives prospective buyers of franchises such information as the franchisor's litigation history, how much money a franchisee must pay, financial arrangements, and names and contact information of current franchisees.

Based on the violations of state law by Q-Taste International, Corporations revoked the franchise registration of Q-Taste International, Inc. In addition, Corporations issued a Desist and Refrain Order to the President of Q-Taste, Lishen Yen, aka Li-Shen Yen, and Q-Taste International, Inc. and Y's Alliance, Inc.

The Department of Corporations is California's investment and financing authority and is responsible for the regulation, enforcement, and licensing of securities, franchises, off-exchange commodities, investment and financial services, independent escrows, consumer and commercial finance lending, residential mortgage lending, and deferred deposit originators. For further information or to obtain a complaint form, please visit Corporations' Web site at www.corp.ca.gov or call our consumer resource center toll-free at 1-866-ASK-CORP (1-866-275-2677).

Based upon the foregoing findings, the California Corporations Commissioner is of the opinion that Bruce Sharpe and Slender Lady Inc. sold franchises in California that were subject to registration under the Franchise Investment Law without first being registered, in violation of Corporations Code section 31110. Pursuant to section 31402 of the Corporations Code, Bruce Sharpe and Slender Lady Inc. are hereby ordered to desist and refrain from the further offer or sale of Slender Lady franchises unless and until the offers have been duly registered under the Franchise Investment Law .

This Order is necessary, in the public interest, for the protection of investors and consistent with the purposes, policies and provisions of the Franchise Investment Law.

Dated: April 12, 2005
Sacramento, California

WAYNE K. STRUMPFER
Acting California Corporations Commissioner

By ALAN WEINGER
Acting Deputy Commissioner
Enforcement Division

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Bruce Sharpe
Slender Lady Inc.
45 NE Loop 410, Suite 501
San Antonio, Texas 78216

File No. 995-3079

**ORDER DENYING EFFECTIVENESS OF FRANCHISE REGISTRATION
APPLICATION AND REVOKING CURRENT REGISTRATION**

(Corporations Code section 31115)

Based upon the findings presented in the Statement in Support of Order Denying Effectiveness of Franchise Registration Application and Revoking Current Registration dated April 12, 2005, the application for renewal of registration of the offer and sale of franchises filed by Slender Lady, Inc. on March 28, 2005 is hereby denied until further order of the California Corporations Commissioner and the registration of the offer and sale of franchises by Slender Lady, Inc. approved by the Department of Corporations on June 3, 2004 is hereby revoked until further order of the California Corporations Commissioner.

Dated: April 12, 2005
Sacramento, California

WAYNE K. STRUMPFER
Acting California Corporations Commissioner

By _____
ALAN WEINGER
Acting Deputy Commissioner
Enforcement Division

TO: Bruce Sharpe
Slender Lady, Inc.
45 NE Loop 410, Suite 501
San Antonio, Texas 78216

The California Corporations Commissioner finds that:

2. Bruce Sharpe was one of the founders of Slender Lady, Inc., and at all times from the date of its creation acted as one of its principal officers and directors in fact, exercising management responsibility and control with regard to all facets of its operations, including the franchises offered by the company.

1
2 3. The application for renewal of registration to sell franchises by Slender Lady, Inc. was
3 pending from March 22, 2004 through June 3, 2004 when it was approved by the Department of
4 Corporations. During the time the renewal application was pending, Slender Lady, Inc. was not
5 registered under the Franchise Investment Law and was not exempted under Chapter 1, beginning
6 with Corporations Code section 31100, of that law.

7
8 4. During the period from March 22, 2004 through June 3, 2004, while the application for
9 renewal of registration was pending, Slender Lady, Inc. sold four franchises to individual purchasers
10 who are California residents in violation of Corporations Code section 31110.

11
12 5. Slender Lady, Inc. sold the four franchises to individual purchasers by means of written
13 and oral communications which included untrue statements of material fact and omitted to state
14 material facts necessary in order to make the statements made, in the light of the circumstances under
15 which they were made, not misleading in violation of Corporations Code section 31200. The
16 franchise purchasers were not told that the franchises offered and sold were not registered in
17 accordance with California law, and that Slender Lady, Inc. sold them franchises with terms different
18 than the terms contained in the pending application.

19
20 6. Slender Lady, Inc. failed to notify the California Corporations Commissioner in writing,
21 by an application to amend the registration, that it had sold unregistered franchises and that it had
22 sold franchise with terms different than those contained in the original application in violation of
23 Corporations Code section 31123.

24
25 7. The following representations of Slender Lady, Inc. constituted violations of Corporations
26 Code sections 31200 or 31201:

27 a) That it would provide a trainer, who would come to the franchise location near the
28 onset of the business and assist in generating client membership, training employees, and general

1 assistance. Once the franchises were purchased, Slender Lady, Inc. either failed to send a trainer to
2 assist the new owners, or the trainer did not assist the new owners in the manner promised.

3 b) That it would assist in finding a location for the franchise. Once the franchises
4 were purchased Slender Lady, Inc. failed to assist new franchise owners in finding locations for their
5 businesses.

6 c) That there was no or a reduced advertising or marketing fee required, despite the
7 franchise agreement reflecting there could be such a charge. Potential purchasers were told to ignore
8 the franchise agreement concerning marketing and advertising fees or in some cases were told to
9 cross out that section of the franchise agreement. Others were told that the marketing or advertising
10 fee would only be instituted once they had 1000 franchises, while some potential owners were told
11 they only had to pay a reduced fee after they had been in business six months. After the franchises
12 were purchased Slender Lady, Inc. began to withdraw \$200 a month for a marketing and advertising
13 fund, from franchisees' accounts without their knowledge.

14 d) That potential purchasers would receive support from the corporate office and be
15 placed on the national website. After the franchises were purchased, Slender Lady, Inc. removed the
16 phone numbers and email listings for all franchise locations on its national website, and in some cases
17 punished disgruntled franchisees by entirely removing their business location from the national
18 website.

19 e) That franchise owners were required to individually pay three music licensing
20 companies for permission to play music at their centers. When franchise owners asked Slender Lady,
21 Inc. about this issue, franchise owners were told how to circumvent the requirement.

22 f) That the company was creating a commercial to be aired nationally, and at no cost
23 to the franchisees. After purchasing the franchises, Slender Lady, Inc. informed franchise owners
24 that a commercial was created but that the franchisees would have to purchase it from the corporate
25 office and pay to have it aired in their area.

26
27 Based upon the foregoing findings, the California Corporations Commissioner is of the
28 opinion that Slender Lady, Inc. failed to comply with certain provisions of the Franchise Investment

1 Law within the meaning of Corporations Code section 31115(a) and that the sale of the franchise
2 would constitute misrepresentation to, or deceit or fraud of the purchasers within the meaning of
3 Corporations Code section 31115(b).

4
5 For these reasons, the California Corporations Commissioner has determined that an order
6 should be issued pursuant to Corporations Code section 31115(a) and (b) to deny the effectiveness of
7 the franchise registration renewal application, and revoke the current application of Slender Lady,
8 Inc.

9
10 Dated: April 12, 2005
11 Sacramento, California

12 WAYNE K. STRUMPFER
13 Acting California Corporations Commissioner

14
15 By: _____
16 Mary Ann Clark
17 Corporations Counsel
18 Enforcement Division
19
20
21
22
23
24
25
26
27
28

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Lishen Yen a/k/a Li-Shen Yen
Q-Taste International, Inc.
dba Q-Taste and Q-Cup
1934 Junction Avenue
San Jose, California 95131

Li-shen Yen a/k/a Lishen Yen
Y's Alliance, Inc.
Dba Q-Taste International and Q-Cup
1261 Birchwood Drive
Sunnyvale, California 94089

DESIST AND REFRAIN ORDER

(For violations of section 31110 of the Corporations Code)

The California Corporations Commissioner finds that:

1. At all relevant times, Lishen Yen, aka Li-Shen Yen, was president of Q-Taste International, Inc., a California corporation, located at 1934 Junction Avenue, San Jose, California, 95131. At all relevant times, Li-Shen Yen, aka Lishen Yen, was president of Y's Alliance, Inc., a California corporation, located at 1261 Birchwood Drive, Sunnyvale, 94089. Q-Taste International, Inc. and Y's Alliance, Inc. are engaged in business activities relating to the franchising of Q-Taste and Q-Cup restaurants, which are restaurants offering tea-based drinks and a variety of food.

2. Beginning in or about October 2001, Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. began selling franchises to California residents. Y's Alliance, Inc. has never been registered to offer or sell franchises under the Franchise Investment Law, and is not exempted under Chapter 1, beginning with Corporations Code section 31100. Q-Taste International, Inc. filed its

1 initial franchise application with the Department of Corporations on July 21, 2003. Prior to that date,
2 the offer or sale of franchises by Q-Taste International, Inc. in California was not registered under the
3 Franchise Investment Law and was not exempted under Chapter 1, beginning with Corporations
4 Code section 31100.

5
6 3. Prior to the July 21, 2003 franchise application for Q-Taste International, Inc., Lishen Yen,
7 Y's Alliance, Inc., and Q-Taste International, Inc. sold six franchises to California residents in
8 violation of Corporations Code section 31110.

9
10 Based upon the foregoing findings, the California Corporations Commissioner is of the
11 opinion that Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. sold franchises in
12 California that were subject to registration under the Franchise Investment Law without first being
13 registered, in violation of Corporations Code section 31110. Pursuant to section 31402 of the
14 Corporations Code, Lishen Yen, Y's Alliance, Inc., and Q-Taste International, Inc. are hereby
15 ordered to desist and refrain from the further offer or sale of Q-Taste or Q-Cup franchises unless and
16 until the offers have been duly registered under the Franchise Investment Law.

17
18 This Order is necessary, in the public interest, for the protection of investors and consistent
19 with the purposes, policies and provisions of the Franchise Investment Law.

20
21 Dated: April 18, 2005
22 Sacramento, California

23 WAYNE STRUMPFER
24 Acting California Corporations Commissioner

25
26 By _____
27 ALAN S. WEINGER
28 Acting Deputy Commissioner
Enforcement Division

STATE OF CALIFORNIA
BUSINESS, TRANSPORTATION AND HOUSING AGENCY
DEPARTMENT OF CORPORATIONS

TO: Q-Taste International, Inc.
Dba Q-Taste and Q-Cup
1934 Junction Avenue
San Jose, California 95131

File No. 995-3425

ORDER REVOKING EFFECTIVENESS
OF FRANCHISE REGISTRATION

(Corporations Code section 31115)

The registration of the offer and sale of franchises filed by Q-Taste International, Inc. on April 20, 2004 is hereby revoked until further order of the California Corporations Commissioner.

Dated: April 18, 2005
Sacramento, California

WAYNE STRUMPFER
Acting California Corporations Commissioner

By _____
ALAN S. WEINGER
Acting Deputy Commissioner
Enforcement Division

1 Inc. is engaged in business activities relating to the franchising of Q-Cup restaurants. Li-Shen Yen,
2 aka Lishen Yen, is the president of Y's Alliance, Inc.

3
4 3. On July 21, 2003, Q-Taste International, Inc. filed its initial franchise registration
5 application with the Department of Corporations. Prior to July 21, 2003, neither Q-Taste
6 International, Inc. nor Y's Alliance, Inc. were registered to offer or sell franchises under the
7 Franchise Investment Law, and neither corporation was exempt from registration. On April 20, 2004,
8 Q-Taste International filed an application for renewal of franchise registration with the Department of
9 Corporations.

10
11 4. Prior to July 21, 2003, Q-Taste International, Inc. and its affiliated company, Y's Alliance,
12 Inc., sold six franchises to individual purchasers who are California residents in violation of
13 Corporations Code section 31110.

14
15 5. Q-Taste International, Inc. and Y's Alliance, Inc. sold the six franchises to individual
16 purchasers by means of written and oral communications which included untrue statements of
17 material fact and omitted to state material facts necessary in order to make the statements made, in
18 light of the circumstances they were made, not misleading under Corporations Code section 31201.
19 The franchise purchasers were not told that the franchises offered and sold were not registered in
20 accordance with California law.

21
22 6. In addition, the following representations and omissions to the unregistered franchisees of
23 Q-Taste International, Inc. constituted violations of Corporations Code section 31201:

24
25 a) The representation that Q-Taste International, Inc. would provide training that
26 would teach the franchisee the entire system of the franchise, including operational and management
27 training in the area of human resources, tax and accounting, insurance, and inventory control. Once
28

1 the franchises were purchased, Q-Taste International did not assist the new owners in the manner
2 promised.

3
4 b) The representation that Q-Taste International, Inc. would provide assistance with
5 marketing and advertising for the franchisee. Once the franchises were purchased, Q-Taste
6 International, Inc. did not provide adequate assistance to the new owners in the manner promised.

7
8 c) The failure of Q-Taste International, Inc. and Y's Alliance, Inc. to provide the
9 franchisees with the offering circular as required by Corporations Code section 31119.

10
11 7. On July 21, 2003, Q-Taste International, Inc. filed a Notice of Violation pursuant to
12 Corporations Code section 31303. The Notice of Violation stated that Q-Taste International, Inc.'s
13 affiliated company, Y's Alliance, Inc., had sold four franchises for the operation of Q-Cup restaurants
14 in violation of Corporations Code section 31110, and that the four franchisees did not receive the
15 offering circular as required by Corporations Code section 31119. The Notice of Violation did not
16 include two additional sales of unregistered franchises sold by Q-Taste International, Inc. to
17 individual purchasers who are California residents in violation of Corporations Code section 31110.
18 Q-Taste International, Inc. also failed to provide these two franchisees with the offering circular as
19 required by Corporations Code section 31119.

20
21 8. Q-Taste International, Inc. failed to notify the California Corporations Commissioner in
22 writing, by an application to amend the registration, that it sold unregistered franchises in violation of
23 Corporations Code sections 31123 and 31200.

24
25 Based upon the foregoing findings, the California Corporations Commissioner is of the
26 opinion that Q-Taste International, Inc. failed to comply with certain provisions of the Franchise
27 Investment Law within the meaning of Corporations Code section 31115(a) and that the sale of the
28

1 franchise would constitute misrepresentation to, or deceit or fraud of the purchasers within the
2 meaning of Corporations Code section 31115(b).

3
4 For this reason, the California Corporations Commissioner has determined that an order
5 should be issued pursuant to Corporations Code section 31115(a) and (b) to revoke the effectiveness
6 of the franchise registration of Q-Taste International, Inc.

7
8 Dated: April 18, 2005
9 Sacramento, California

10 WAYNE STRUMPFER
11 Acting California Corporations Commissioner

12
13 By _____
14 KAREN DENVIR
15 Corporations Counsel
16 Enforcement Division
17
18
19
20
21
22
23
24
25
26
27
28